

DETECTING FINANCIAL STATEMENT FRAUD THROUGH NEW FRAUD DIAMOND MODEL WITH SPECIAL REFERENCE TO THE SELECTED LISTED COMPANIES IN SRI LANKA

Udayanganee L.P.A.P.I.¹ and Sujeewa G.M.M.²

¹*udayanga_bm17452@stu.kln.ac.lk*, ²*mudith@kln.ac.lk*

Abstract

Financial statement fraud can have serious consequences for both shareholders and society. The purpose of this paper is to evaluate the effect of the new fraud diamond model in explaining financial statement fraud. The variables used to analyze are motivation, opportunity, personal integrity, and capability. The population for this study was 25 companies from Food, beverages, and tobacco sector listed on the Colombo Stock Exchange from 2016 to 2021. According to the findings, the nature of the industry, and the history of sales significantly affect financial statement fraud. The findings of the study back up the new fraud diamond model theory in explaining the phenomenon of financial statement fraud. This study tries to examine the factors that enable financial statement fraud to occur using only secondary data available and freely accessible to the public. The sample for the study was limited to companies in the food, beverage, and tobacco industries. It is important that future research expand the scope of the analysis of corporate fraud by including an analysis of another type of corporate fraud. Researchers can change from collecting secondary data to collecting primary data, allowing for more complete and accurate research. More research into this theory is needed to strengthen the new fraud diamond model theory and determine whether it can be utilized as a reference for detecting financial statement fraud cases.

Keywords: *Financial statement fraud, Colombo Stock Exchange, History of sale, Nature of industry, new fraud diamond model*